



Amy G. Rabinowitz
Counsel

March 22, 2004

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 03-88E

Dear Secretary Cottrell:

I am enclosing the responses of Massachusetts Electric Company and Nantucket Electric Company to the Department's Second Set of Information Requests in the above-captioned matter.

Thank you very much for your time and attention to this matter.

Very truly yours,

Amy G. Rabinowitz

cc: Service List

Responses to the Department's Second Set of Information Requests

DTE 2-1

Request:

Please refer to Exh. MJH-1. Provide all calculations and workpapers that support the estimates of costs associated with wholesale procurement of default service. Also provide a description of the work involved to complete each referenced task.

Response:

The description of the tasks involved in the wholesale procurement of default service is provided in Exhibit MJH-1. The number of hours indicated for each task was obtained through interviewing the individuals responsible for performing each task.

Please refer to the attachment to this response for the calculation of the indirect/overhead rates shown in Column (C) of Exhibit MJH-1. Each departmental calculation contains two sections. The first section is a summary of the individual components of the total overhead rate, namely:

1. National Grid USA Service Company ("Service Company") corporate operating costs (NGRID Serv Co Operating costs)
2. Service Company equity return billings (NGRID Serv Co Equity)
3. Department specific overheads (Ins, Taxes & Dept. Ovhd's)
4. Time Not Worked (TNW)
5. National Grid goals program accruals (NGUSA Goals)
6. Management Bonus accruals (Management bonus)

The second section lists the details of the components used to calculate the rates for items 1, 2 and 3 above.

All of these costs are billed by the Service Company to National Grid operating companies as an adder to Service Company payroll. Item 1, NGRID Serv Co Operating Costs, represents general Service Company corporate operating expenses. The monthly overhead rates for this item are based on total monthly expense divided by total monthly Service Company payroll. Item 2, NGRID Serv Co Equity, represents the Service Company's allowed equity return billing to the operating companies and is derived by dividing the total monthly return by total monthly Service Company payroll. Item 3, Ins, Taxes & Dept Ovhd's, represents the department specific overheads, including items such as employee benefits, insurance, taxes, allocated facilities charges, allocated IS support, etc. The sum of these costs for an individual department is divided by that department's total payroll in arriving at the monthly department specific overhead rate. Item 4, Time Not Worked, represents the actual monthly accrual rate for time not worked (vacation time, sick time, etc.). Time not worked is accrued to a clearing pool against which actual employee time not worked is charged. A detailed monthly review is

Responses to the Department's Second Set of Information Requests

DTE 2-1 (continued)

performed and results in a change in the monthly accrual rate, if necessary. Items 5 and 6, NGUSA Goals and Management Bonus, represent the actual booked monthly accrual rates for those employee benefits. These monthly accruals are also adjusted periodically to reconcile the actual benefit amount, when ultimately determined, to the cumulative accrual.

As explained above, total payroll overheads of the Service Company are ultimately billed to the operating companies as a percent of actual Service Company payroll charged to the individual operating company. The individual departmental overhead rates used in this filing were developed to estimate the all-in labor related costs of the individual departments that support the provision of default service.

Prepared by or under the supervision of: Michael J. Hager and Michael D. Laflamme

National Grid USA Service Company

Overhead Accrual Rates
Year Ended December 31, 2003

Department: Energy Supply

	NGRID USA <u>Operating Costs</u>	NGRID USA <u>Equity</u>	Ins., Taxes & Dept. Ovhd's	TNW <u>Rate</u>	NGUSA <u>Goals</u>	Management <u>Bonus</u>	Management <u>Total</u>
January	5.14%	-0.41%	33.11%	160.00%	-3.80%	-4.70%	189.34%
February	8.27%	0.59%	24.30%	12.00%	4.00%	-12.60%	36.56%
March	3.94%	-0.11%	20.56%	23.00%	-3.10%	-23.30%	20.99%
April	4.95%	4.28%	44.65%	29.00%	3.50%	3.50%	89.87%
May	5.64%	-0.71%	49.59%	13.00%	3.70%	3.60%	74.83%
June	8.83%	-0.71%	53.32%	10.00%	4.40%	5.50%	81.34%
July	5.01%	-0.79%	45.79%	7.00%	4.40%	5.60%	67.01%
August	6.54%	-0.68%	42.93%	7.00%	4.90%	5.80%	66.49%
September	6.66%	-0.56%	62.77%	18.00%	4.30%	6.10%	97.27%
October	8.84%	-0.66%	57.09%	7.00%	4.40%	6.30%	82.97%
November	5.33%	2.89%	38.70%	13.00%	4.50%	6.60%	71.02%
December	<u>4.21%</u>	<u>32.38%</u>	<u>32.56%</u>	<u>9.00%</u>	<u>3.30%</u>	<u>6.90%</u>	<u>88.35%</u>
Average	6.11%	2.96%	42.11%	25.67%	2.88%	0.78%	80.50%

<u>Insurance Taxes & Dept. Overheads</u>				<u>NGRID USA Operating Costs</u>			<u>NGRID USA Equity</u>		
	Department <u>Overheads</u>	Total <u>Dept. Payroll</u>	<u>Percentage</u>	NGRID USA <u>Corporate Operating Costs</u>	NGRID USA <u>Total Payroll</u>	<u>Percentage</u>	NGRID USA <u>Equity Billing</u>	NGRID USA <u>Total Payroll</u>	<u>Percentage</u>
January	23,908.54	72,218.99	33.11%	403,103.22	7,835,915.32	5.14%	(32,398.00)	7,835,915.32	-0.41%
February	22,949.75	94,461.99	24.30%	792,083.74	9,574,374.36	8.27%	56,964.00	9,574,374.36	0.59%
March	17,876.59	86,948.38	20.56%	410,550.85	10,419,228.60	3.94%	(11,788.00)	10,419,228.60	-0.11%
April	43,419.69	97,255.08	44.65%	493,164.71	9,972,554.52	4.95%	427,126.00	9,972,554.52	4.28%
May	43,423.30	87,561.74	49.59%	565,543.49	10,022,654.78	5.64%	(70,665.00)	10,022,654.78	-0.71%
June	49,159.23	92,194.10	53.32%	814,804.03	9,225,183.00	8.83%	(65,779.00)	9,225,183.00	-0.71%
July	38,853.87	84,857.57	45.79%	438,099.27	8,742,639.84	5.01%	(69,198.00)	8,742,639.84	-0.79%
August	37,961.09	88,434.58	42.93%	613,617.58	9,380,783.37	6.54%	(63,513.00)	9,380,783.37	-0.68%
September	45,409.90	72,338.29	62.77%	572,699.16	8,602,034.17	6.66%	(48,412.00)	8,602,034.17	-0.56%
October	47,810.27	83,744.46	57.09%	877,272.64	9,919,759.48	8.84%	(65,661.00)	9,919,759.48	-0.66%
November	33,785.32	87,289.63	38.70%	497,508.31	9,331,990.77	5.33%	269,454.00	9,331,990.77	2.89%
December	27,711.23	85,118.69	32.56%	370,098.69	8,782,751.24	4.21%	2,843,500.00	8,782,751.24	32.38%

National Grid USA Service Company

Overhead Accrual Rates
Year Ended December 31, 2003

Department: Legal Dept.

	NGRID USA Operating Costs	NGRID USA Equity	Ins., Taxes & Dept. Ovhd's	TNW Rate	NGUSA Goals	Management Bonus	Management Total
January	5.14%	-0.41%	61.46%	160.00%	-3.80%	-4.70%	217.69%
February	8.27%	0.59%	40.91%	12.00%	4.00%	-12.60%	53.17%
March	3.94%	-0.11%	40.19%	23.00%	-3.10%	-23.30%	40.62%
April	4.95%	4.28%	62.84%	29.00%	3.50%	3.50%	108.06%
May	5.64%	-0.71%	54.18%	13.00%	3.70%	3.60%	79.42%
June	8.83%	-0.71%	67.38%	10.00%	4.40%	5.50%	95.40%
July	5.01%	-0.79%	61.18%	7.00%	4.40%	5.60%	82.40%
August	6.54%	-0.68%	46.88%	7.00%	4.90%	5.80%	70.44%
September	6.66%	-0.56%	68.55%	18.00%	4.30%	6.10%	103.04%
October	8.84%	-0.66%	67.08%	7.00%	4.40%	6.30%	92.96%
November	5.33%	2.89%	43.32%	13.00%	4.50%	6.60%	75.64%
December	4.21%	32.38%	45.65%	9.00%	3.30%	6.90%	101.44%
Average	6.11%	2.96%	54.97%	25.67%	2.88%	0.78%	93.36%

Insurance Taxes & Dept. Overheads				NGRID USA Operating Costs			NGRID USA Equity		
Department Overheads	Total Dept. Payroll	Percentage		NGRID USA Corporate Operating Costs	NGRID USA Total Payroll	Percentage	NGRID USA Equity Billing	NGRID USA Total Payroll	Percentage
January	278,950.62	453,900.38	61.46%	403,103.22	7,835,915.32	5.14%	(32,398.00)	7,835,915.32	-0.41%
February	235,140.48	574,836.02	40.91%	792,083.74	9,574,374.36	8.27%	56,964.00	9,574,374.36	0.59%
March	226,487.42	563,478.97	40.19%	410,550.85	10,419,228.60	3.94%	(11,788.00)	10,419,228.60	-0.11%
April	372,844.88	593,357.89	62.84%	493,164.71	9,972,554.52	4.95%	427,126.00	9,972,554.52	4.28%
May	306,661.08	566,029.76	54.18%	565,543.49	10,022,654.78	5.64%	(70,665.00)	10,022,654.78	-0.71%
June	374,475.63	555,732.80	67.38%	814,804.03	9,225,183.00	8.83%	(65,779.00)	9,225,183.00	-0.71%
July	330,307.07	539,859.73	61.18%	438,099.27	8,742,639.84	5.01%	(69,198.00)	8,742,639.84	-0.79%
August	261,091.76	556,968.56	46.88%	613,617.58	9,380,783.37	6.54%	(63,513.00)	9,380,783.37	-0.68%
September	359,010.62	523,756.82	68.55%	572,699.16	8,602,034.17	6.66%	(48,412.00)	8,602,034.17	-0.56%
October	400,688.26	597,340.12	67.08%	877,272.64	9,919,759.48	8.84%	(65,661.00)	9,919,759.48	-0.66%
November	247,220.11	570,717.77	43.32%	497,508.31	9,331,990.77	5.33%	269,454.00	9,331,990.77	2.89%
December	244,870.16	536,427.43	45.65%	370,098.69	8,782,751.24	4.21%	2,843,500.00	8,782,751.24	32.38%

National Grid USA Service Company

Overhead Accrual Rates
Year Ended December 31, 2003

Department: Revenue Accounting

	NGRID Serv Co <u>Operating Costs</u>	NGRID Serv Co <u>Equity</u>	Ins., Taxes & Dept. Ovhd's	TNW <u>Rate</u>	NGUSA <u>Goals</u>	Management <u>Bonus</u>	Management <u>Total</u>
January	5.14%	-0.41%	58.64%	160.00%	-3.80%	-4.70%	214.87%
February	8.27%	0.59%	51.92%	12.00%	4.00%	-12.60%	64.19%
March	3.94%	-0.11%	26.59%	23.00%	-3.10%	-23.30%	27.01%
April	4.95%	4.28%	79.03%	29.00%	3.50%	3.50%	124.25%
May	5.64%	-0.71%	62.46%	13.00%	3.70%	3.60%	87.70%
June	8.83%	-0.71%	77.23%	10.00%	4.40%	5.50%	105.25%
July	5.01%	-0.79%	72.52%	7.00%	4.40%	5.60%	93.74%
August	6.54%	-0.68%	60.40%	7.00%	4.90%	5.80%	83.96%
September	6.66%	-0.56%	82.06%	18.00%	4.30%	6.10%	116.56%
October	8.84%	-0.66%	80.34%	7.00%	4.40%	6.30%	106.23%
November	5.33%	2.89%	60.24%	13.00%	4.50%	6.60%	92.56%
December	<u>4.21%</u>	<u>32.38%</u>	<u>53.83%</u>	<u>9.00%</u>	<u>3.30%</u>	<u>6.90%</u>	<u>109.62%</u>
Average	6.11%	2.96%	63.77%	25.67%	2.88%	0.78%	102.16%

<u>Insurance Taxes & Dept. Overheads</u>				<u>NGRID USA Operating Costs</u>			<u>NGRID USA Equity</u>		
Department <u>Overheads</u>	Total <u>Dept. Payroll</u>	<u>Percentage</u>		NGRID USA <u>Corporate</u> <u>Operating Costs</u>	NGRID USA <u>Total Payroll</u>	<u>Percentage</u>	NGRID USA <u>Equity Billing</u>	NGRID USA <u>Total Payroll</u>	<u>Percentage</u>
January	167,451.16	285,551.03	58.64%	403,103.22	7,835,915.32	5.14%	(32,398.00)	7,835,915.32	-0.41%
February	158,944.25	306,108.97	51.92%	792,083.74	9,574,374.36	8.27%	56,964.00	9,574,374.36	0.59%
March	83,296.36	313,306.74	26.59%	410,550.85	10,419,228.60	3.94%	(11,788.00)	10,419,228.60	-0.11%
April	251,127.38	317,777.59	79.03%	493,164.71	9,972,554.52	4.95%	427,126.00	9,972,554.52	4.28%
May	203,661.11	326,071.50	62.46%	565,543.49	10,022,654.78	5.64%	(70,665.00)	10,022,654.78	-0.71%
June	222,202.05	287,701.93	77.23%	814,804.03	9,225,183.00	8.83%	(65,779.00)	9,225,183.00	-0.71%
July	209,797.17	289,307.93	72.52%	438,099.27	8,742,639.84	5.01%	(69,198.00)	8,742,639.84	-0.79%
August	186,424.72	308,667.42	60.40%	613,617.58	9,380,783.37	6.54%	(63,513.00)	9,380,783.37	-0.68%
September	203,904.88	248,476.16	82.06%	572,699.16	8,602,034.17	6.66%	(48,412.00)	8,602,034.17	-0.56%
October	259,120.21	322,516.42	80.34%	877,272.64	9,919,759.48	8.84%	(65,661.00)	9,919,759.48	-0.66%
November	182,023.04	302,148.36	60.24%	497,508.31	9,331,990.77	5.33%	269,454.00	9,331,990.77	2.89%
December	150,034.50	278,701.20	53.83%	370,098.69	8,782,751.24	4.21%	2,843,500.00	8,782,751.24	32.38%

Responses to the Department's Second Set of Information Requests

DTE 2-2

Request:

Please refer to Exh. TMB-2. Provide all calculations and workpapers that support the numbers presented in this exhibit. Provide a description of the tasks performed under each section.

Response:

The departments involved in preparing the notice to customers and processing the rate changes relating to default service is provided in Exhibit TMB-2. The number of hours indicated for each task was obtained through interviewing the individuals responsible for performing each task. Generally, the Web and E-Business Group updates the text on Mass. Electric's and Nantucket Electric's web sites to reflect the new default service rates once approved by the Department. The Billing & Systems Group composes the bill message for new default service rates that will appear on the bottom of default service customers' bills 30 days prior to the billing of the new default service rates. This group also ensures that the new default service rates are entered into the rate tables of the Customer Information System's ("CIS") billing module and also verify that the data entry is accurate prior to billing. Finally, the Information Technology Group work with the Billing and Systems Group to update the rate tables in CIS for billing.

Please refer to the attachment to this response for the calculation of the indirect/overhead rates shown on Line (5) of Exhibit TMB-2. Please refer to the response to DTE 2-1 for an explanation of what this data represents.

In assembling the data for the response to Information Request AG-MECO-1-3, the Company discovered an input error in the calculation of the E Business department overhead rate. The corrected overhead rate for the E Business department is 96.37% as shown on the attached schedule. Exhibit TMB-2, indicated an E Business department overhead rate of 89.99%. However, incorporating the corrected overhead rate changes the estimated cost of web site update in a 12 month period, as shown on Line 6 of TMB-2, by only \$34, from \$1,003 to \$1,037.

Prepared by or under the supervision of: Theresa M. Burns and Michael D. Laflamme

National Grid USA Service Company

Overhead Accrual Rates
Year Ended December 31, 2003

Department: E-Business

	NGRID USA <u>Operating Costs</u>	NGRID USA <u>Equity</u>	Ins., Taxes & Dept. Ovhd's	TNW <u>Rate</u>	NGUSA <u>Goals</u>	Management <u>Bonus</u>	Management <u>Total</u>
January	5.14%	-0.41%	38.28%	160.00%	-3.80%	-4.70%	194.51%
February	8.27%	0.59%	28.89%	12.00%	4.00%	-12.60%	41.15%
March	3.94%	-0.11%	151.65%	23.00%	-3.10%	-23.30%	152.07%
April	4.95%	4.28%	-61.03%	29.00%	3.50%	3.50%	-15.80%
May	5.64%	-0.71%	50.72%	13.00%	3.70%	3.60%	75.95%
June	8.83%	-0.71%	70.85%	10.00%	4.40%	5.50%	98.87%
July	5.01%	-0.79%	95.33%	7.00%	4.40%	5.60%	116.55%
August	6.54%	-0.68%	70.77%	7.00%	4.90%	5.80%	94.33%
September	6.66%	-0.56%	74.24%	18.00%	4.30%	6.10%	108.73%
October	8.84%	-0.66%	76.77%	7.00%	4.40%	6.30%	102.65%
November	5.33%	2.89%	42.34%	13.00%	4.50%	6.60%	74.66%
December	<u>4.21%</u>	<u>32.38%</u>	<u>56.96%</u>	<u>9.00%</u>	<u>3.30%</u>	<u>6.90%</u>	<u>112.75%</u>
Average	6.11%	2.96%	57.98%	25.67%	2.88%	0.78%	96.37%

<u>Insurance Taxes & Dept. Overheads</u>				<u>NGRID USA Operating Costs</u>			<u>NGRID USA Equity</u>		
Department <u>Overheads</u>	Total Dept. Payroll	Percentage		NGRID USA Corporate <u>Operating Costs</u>	NGRID USA <u>Total Payroll</u>	Percentage	NGRID USA <u>Equity Billing</u>	NGRID USA <u>Total Payroll</u>	Percentage
January	11,652.74	30,443.54	38.28%	403,103.22	7,835,915.32	5.14%	(32,398.00)	7,835,915.32	-0.41%
February	10,811.37	37,428.56	28.89%	792,083.74	9,574,374.36	8.27%	56,964.00	9,574,374.36	0.59%
March	56,057.01	36,965.33	151.65%	410,550.85	10,419,228.60	3.94%	(11,788.00)	10,419,228.60	-0.11%
April	(24,187.38)	39,631.64	-61.03%	493,164.71	9,972,554.52	4.95%	427,126.00	9,972,554.52	4.28%
May	20,459.01	40,340.46	50.72%	565,543.49	10,022,654.78	5.64%	(70,665.00)	10,022,654.78	-0.71%
June	29,718.91	41,947.11	70.85%	814,804.03	9,225,183.00	8.83%	(65,779.00)	9,225,183.00	-0.71%
July	30,351.93	31,840.04	95.33%	438,099.27	8,742,639.84	5.01%	(69,198.00)	8,742,639.84	-0.79%
August	25,809.51	36,470.89	70.77%	613,617.58	9,380,783.37	6.54%	(63,513.00)	9,380,783.37	-0.68%
September	29,276.26	39,437.12	74.24%	572,699.16	8,602,034.17	6.66%	(48,412.00)	8,602,034.17	-0.56%
October	34,338.00	44,730.98	76.77%	877,272.64	9,919,759.48	8.84%	(65,661.00)	9,919,759.48	-0.66%
November	17,504.51	41,344.40	42.34%	497,508.31	9,331,990.77	5.33%	269,454.00	9,331,990.77	2.89%
December	16,890.12	29,651.26	56.96%	370,098.69	8,782,751.24	4.21%	2,843,500.00	8,782,751.24	32.38%

National Grid USA Service Company

Overhead Accrual Rates
Year Ended December 31, 2003

Department: Billings & Systems

	NGRID USA <u>Operating Costs</u>	NGRID USA <u>Equity</u>	Ins., Taxes & Dept. Ovhd's	TNW <u>Rate</u>	NGUSA <u>Goals</u>	Management <u>Bonus</u>	Management <u>Total</u>
January	5.14%	-0.41%	64.74%	160.00%	-3.80%	-4.70%	220.97%
February	8.27%	0.59%	52.78%	12.00%	4.00%	-12.60%	65.05%
March	3.94%	-0.11%	33.57%	23.00%	-3.10%	-23.30%	34.00%
April	4.95%	4.28%	53.86%	29.00%	3.50%	3.50%	99.09%
May	5.64%	-0.71%	69.17%	13.00%	3.70%	3.60%	94.40%
June	8.83%	-0.71%	122.41%	10.00%	4.40%	5.50%	150.43%
July	5.01%	-0.79%	83.79%	7.00%	4.40%	5.60%	105.01%
August	6.54%	-0.68%	64.86%	7.00%	4.90%	5.80%	88.42%
September	6.66%	-0.56%	77.95%	18.00%	4.30%	6.10%	112.44%
October	8.84%	-0.66%	59.13%	7.00%	4.40%	6.30%	85.01%
November	5.33%	2.89%	55.88%	13.00%	4.50%	6.60%	88.19%
December	<u>4.21%</u>	<u>32.38%</u>	<u>55.69%</u>	<u>9.00%</u>	<u>3.30%</u>	<u>6.90%</u>	<u>111.48%</u>
Average	6.11%	2.96%	66.15%	25.67%	2.88%	0.78%	104.54%

<u>Insurance Taxes & Dept. Overheads</u>				<u>NGRID USA Operating Costs</u>			<u>NGRID USA Equity</u>		
	Department	Total		NGRID USA					
	<u>Overheads</u>	<u>Dept. Payroll</u>	<u>Percentage</u>	<u>Corporate Operating Costs</u>	<u>NGRID USA Total Payroll</u>	<u>Percentage</u>	<u>NGRID USA Equity Billing</u>	<u>NGRID USA Total Payroll</u>	<u>Percentage</u>
January	305,863.00	472,465.39	64.74%	403,103.22	7,835,915.32	5.14%	(32,398.00)	7,835,915.32	-0.41%
February	368,802.38	698,699.55	52.78%	792,083.74	9,574,374.36	8.27%	56,964.00	9,574,374.36	0.59%
March	235,729.33	702,185.78	33.57%	410,550.85	10,419,228.60	3.94%	(11,788.00)	10,419,228.60	-0.11%
April	390,778.06	725,517.13	53.86%	493,164.71	9,972,554.52	4.95%	427,126.00	9,972,554.52	4.28%
May	563,094.38	814,129.70	69.17%	565,543.49	10,022,654.78	5.64%	(70,665.00)	10,022,654.78	-0.71%
June	866,623.27	707,944.54	122.41%	814,804.03	9,225,183.00	8.83%	(65,779.00)	9,225,183.00	-0.71%
July	576,094.54	687,550.54	83.79%	438,099.27	8,742,639.84	5.01%	(69,198.00)	8,742,639.84	-0.79%
August	506,731.18	781,277.78	64.86%	613,617.58	9,380,783.37	6.54%	(63,513.00)	9,380,783.37	-0.68%
September	550,142.48	705,772.05	77.95%	572,699.16	8,602,034.17	6.66%	(48,412.00)	8,602,034.17	-0.56%
October	497,628.27	841,578.26	59.13%	877,272.64	9,919,759.48	8.84%	(65,661.00)	9,919,759.48	-0.66%
November	396,999.11	710,511.70	55.88%	497,508.31	9,331,990.77	5.33%	269,454.00	9,331,990.77	2.89%
December	361,977.80	649,942.15	55.69%	370,098.69	8,782,751.24	4.21%	2,843,500.00	8,782,751.24	32.38%

National Grid USA Service Company

Overhead Accrual Rates
Year Ended December 31, 2003

Department: Information Technology

	NGRID USA <u>Operating Costs</u>	NGRID USA <u>Equity</u>	Ins., Taxes & Dept. Ovhd's	TNW <u>Rate</u>	NGUSA <u>Goals</u>	Management <u>Bonus</u>	Management <u>Total</u>
January	5.14%	-0.41%	59.97%	160.00%	-3.80%	-4.70%	216.20%
February	8.27%	0.59%	41.98%	12.00%	4.00%	-12.60%	54.25%
March	3.94%	-0.11%	40.52%	23.00%	-3.10%	-23.30%	40.95%
April	4.95%	4.28%	60.79%	29.00%	3.50%	3.50%	106.02%
May	5.64%	-0.71%	50.56%	13.00%	3.70%	3.60%	75.79%
June	8.83%	-0.71%	61.39%	10.00%	4.40%	5.50%	89.40%
July	5.01%	-0.79%	66.34%	7.00%	4.40%	5.60%	87.56%
August	6.54%	-0.68%	57.36%	7.00%	4.90%	5.80%	80.92%
September	6.66%	-0.56%	65.10%	18.00%	4.30%	6.10%	99.60%
October	8.84%	-0.66%	96.61%	7.00%	4.40%	6.30%	122.49%
November	5.33%	2.89%	49.53%	13.00%	4.50%	6.60%	81.85%
December	<u>4.21%</u>	<u>32.38%</u>	<u>46.72%</u>	<u>9.00%</u>	<u>3.30%</u>	<u>6.90%</u>	<u>102.51%</u>
Average	6.11%	2.96%	58.07%	25.67%	2.88%	0.78%	96.46%

<u>Insurance Taxes & Dept. Overheads</u>				<u>NGRID USA Operating Costs</u>			<u>NGRID USA Equity</u>		
	Department	Total		NGRID USA					
	<u>Overheads</u>	<u>Dept. Payroll</u>	<u>Percentage</u>	<u>Corporate</u>	<u>NGRID USA</u>		<u>NGRID USA</u>	<u>NGRID USA</u>	
				<u>Operating Costs</u>	<u>Total Payroll</u>	<u>Percentage</u>	<u>Equity Billing</u>	<u>Total Payroll</u>	<u>Percentage</u>
January	407,734.03	679,878.21	59.97%	403,103.22	7,835,915.32	5.14%	(32,398.00)	7,835,915.32	-0.41%
February	371,242.71	884,228.55	41.98%	792,083.74	9,574,374.36	8.27%	56,964.00	9,574,374.36	0.59%
March	355,463.01	877,187.88	40.52%	410,550.85	10,419,228.60	3.94%	(11,788.00)	10,419,228.60	-0.11%
April	559,698.92	920,748.67	60.79%	493,164.71	9,972,554.52	4.95%	427,126.00	9,972,554.52	4.28%
May	404,294.29	799,705.13	50.56%	565,543.49	10,022,654.78	5.64%	(70,665.00)	10,022,654.78	-0.71%
June	486,203.88	792,051.91	61.39%	814,804.03	9,225,183.00	8.83%	(65,779.00)	9,225,183.00	-0.71%
July	455,199.95	686,145.98	66.34%	438,099.27	8,742,639.84	5.01%	(69,198.00)	8,742,639.84	-0.79%
August	430,314.48	750,262.12	57.36%	613,617.58	9,380,783.37	6.54%	(63,513.00)	9,380,783.37	-0.68%
September	465,801.31	715,487.65	65.10%	572,699.16	8,602,034.17	6.66%	(48,412.00)	8,602,034.17	-0.56%
October	551,385.57	570,756.01	96.61%	877,272.64	9,919,759.48	8.84%	(65,661.00)	9,919,759.48	-0.66%
November	393,175.37	793,810.92	49.53%	497,508.31	9,331,990.77	5.33%	269,454.00	9,331,990.77	2.89%
December	340,938.81	729,771.63	46.72%	370,098.69	8,782,751.24	4.21%	2,843,500.00	8,782,751.24	32.38%

Responses to the Department's Second Set of Information Requests

DTE 2-3

Request:

Please refer to Exh. MJH-2. Provide all calculations and workpapers that support these estimates of costs associated with environmental disclosure labels. Provide a description of the work involved to complete each task.

Response:

The description of the tasks involved in the preparation of the environmental disclosure label for default service is provided in Exhibit MJH-2. The number of hours indicated for each task was obtained through interviewing the individuals responsible for performing each task.

Please refer to the attachment to this response for the calculation of the indirect/overhead rates shown in Column (C) of Exhibit MJH-2. Please refer to the response to DTE 2-1 for an explanation of what this data represents.

Prepared by or under the supervision of: Michael J. Hager and Michael D. Laflamme

National Grid USA Service Company

Overhead Accrual Rates
Year Ended December 31, 2003

Department: Energy Supply

	NGRID USA <u>Operating Costs</u>	NGRID USA <u>Equity</u>	Ins., Taxes & Dept. Ovhd's	TNW <u>Rate</u>	NGUSA <u>Goals</u>	Management <u>Bonus</u>	Management <u>Total</u>
January	5.14%	-0.41%	33.11%	160.00%	-3.80%	-4.70%	189.34%
February	8.27%	0.59%	24.30%	12.00%	4.00%	-12.60%	36.56%
March	3.94%	-0.11%	20.56%	23.00%	-3.10%	-23.30%	20.99%
April	4.95%	4.28%	44.65%	29.00%	3.50%	3.50%	89.87%
May	5.64%	-0.71%	49.59%	13.00%	3.70%	3.60%	74.83%
June	8.83%	-0.71%	53.32%	10.00%	4.40%	5.50%	81.34%
July	5.01%	-0.79%	45.79%	7.00%	4.40%	5.60%	67.01%
August	6.54%	-0.68%	42.93%	7.00%	4.90%	5.80%	66.49%
September	6.66%	-0.56%	62.77%	18.00%	4.30%	6.10%	97.27%
October	8.84%	-0.66%	57.09%	7.00%	4.40%	6.30%	82.97%
November	5.33%	2.89%	38.70%	13.00%	4.50%	6.60%	71.02%
December	<u>4.21%</u>	<u>32.38%</u>	<u>32.56%</u>	<u>9.00%</u>	<u>3.30%</u>	<u>6.90%</u>	<u>88.35%</u>
Average	6.11%	2.96%	42.11%	25.67%	2.88%	0.78%	80.50%

Insurance Taxes & Dept. Overheads

NGRID USA Operating Costs

NGRID USA Equity

	Department <u>Overheads</u>	Total <u>Dept. Payroll</u>	<u>Percentage</u>	NGRID USA Corporate <u>Operating Costs</u>	NGRID USA <u>Total Payroll</u>	<u>Percentage</u>	NGRID USA <u>Equity Billing</u>	NGRID USA <u>Total Payroll</u>	<u>Percentage</u>
January	23,908.54	72,218.99	33.11%	403,103.22	7,835,915.32	5.14%	(32,398.00)	7,835,915.32	-0.41%
February	22,949.75	94,461.99	24.30%	792,083.74	9,574,374.36	8.27%	56,964.00	9,574,374.36	0.59%
March	17,876.59	86,948.38	20.56%	410,550.85	10,419,228.60	3.94%	(11,788.00)	10,419,228.60	-0.11%
April	43,419.69	97,255.08	44.65%	493,164.71	9,972,554.52	4.95%	427,126.00	9,972,554.52	4.28%
May	43,423.30	87,561.74	49.59%	565,543.49	10,022,654.78	5.64%	(70,665.00)	10,022,654.78	-0.71%
June	49,159.23	92,194.10	53.32%	814,804.03	9,225,183.00	8.83%	(65,779.00)	9,225,183.00	-0.71%
July	38,853.87	84,857.57	45.79%	438,099.27	8,742,639.84	5.01%	(69,198.00)	8,742,639.84	-0.79%
August	37,961.09	88,434.58	42.93%	613,617.58	9,380,783.37	6.54%	(63,513.00)	9,380,783.37	-0.68%
September	45,409.90	72,338.29	62.77%	572,699.16	8,602,034.17	6.66%	(48,412.00)	8,602,034.17	-0.56%
October	47,810.27	83,744.46	57.09%	877,272.64	9,919,759.48	8.84%	(65,661.00)	9,919,759.48	-0.66%
November	33,785.32	87,289.63	38.70%	497,508.31	9,331,990.77	5.33%	269,454.00	9,331,990.77	2.89%
December	27,711.23	85,118.69	32.56%	370,098.69	8,782,751.24	4.21%	2,843,500.00	8,782,751.24	32.38%

National Grid USA Service Company

Overhead Accrual Rates
Year Ended December 31, 2003

Department: Corporate Communications

	NGRID USA <u>Operating Costs</u>	NGRID USA <u>Equity</u>	Ins., Taxes & Dept. Ovhd's	TNW <u>Rate</u>	NGUSA <u>Goals</u>	Management <u>Bonus</u>	Management <u>Total</u>
January	5.14%	-0.41%	48.55%	160.00%	-3.80%	-4.70%	204.78%
February	8.27%	0.59%	37.46%	12.00%	4.00%	-12.60%	49.72%
March	3.94%	-0.11%	25.10%	23.00%	-3.10%	-23.30%	25.52%
April	4.95%	4.28%	57.67%	29.00%	3.50%	3.50%	102.90%
May	5.64%	-0.71%	52.99%	13.00%	3.70%	3.60%	78.22%
June	8.83%	-0.71%	66.77%	10.00%	4.40%	5.50%	94.79%
July	5.01%	-0.79%	60.45%	7.00%	4.40%	5.60%	81.67%
August	6.54%	-0.68%	51.42%	7.00%	4.90%	5.80%	74.98%
September	6.66%	-0.56%	77.80%	18.00%	4.30%	6.10%	112.29%
October	8.84%	-0.66%	68.12%	7.00%	4.40%	6.30%	94.00%
November	5.33%	2.89%	50.19%	13.00%	4.50%	6.60%	82.51%
December	4.21%	32.38%	47.54%	9.00%	3.30%	6.90%	103.33%
Average	6.11%	2.96%	53.67%	25.67%	2.88%	0.78%	92.06%

<u>Insurance Taxes & Dept. Overheads</u>				<u>NGRID USA Operating Costs</u>			<u>NGRID USA Equity</u>		
Department <u>Overheads</u>	Total <u>Dept. Payroll</u>	<u>Percentage</u>		NGRID USA Corporate <u>Operating Costs</u>	NGRID USA <u>Total Payroll</u>	<u>Percentage</u>	NGRID USA <u>Equity Billing</u>	NGRID USA <u>Total Payroll</u>	<u>Percentage</u>
January	47,806.96	98,479.14	48.55%	403,103.22	7,835,915.32	5.14%	(32,398.00)	7,835,915.32	-0.41%
February	46,444.00	123,993.53	37.46%	792,083.74	9,574,374.36	8.27%	56,964.00	9,574,374.36	0.59%
March	28,813.82	114,810.62	25.10%	410,550.85	10,419,228.60	3.94%	(11,788.00)	10,419,228.60	-0.11%
April	72,820.51	126,265.51	57.67%	493,164.71	9,972,554.52	4.95%	427,126.00	9,972,554.52	4.28%
May	58,841.64	111,050.07	52.99%	565,543.49	10,022,654.78	5.64%	(70,665.00)	10,022,654.78	-0.71%
June	74,515.85	111,602.31	66.77%	814,804.03	9,225,183.00	8.83%	(65,779.00)	9,225,183.00	-0.71%
July	55,759.17	92,238.62	60.45%	438,099.27	8,742,639.84	5.01%	(69,198.00)	8,742,639.84	-0.79%
August	52,031.80	101,198.50	51.42%	613,617.58	9,380,783.37	6.54%	(63,513.00)	9,380,783.37	-0.68%
September	72,096.09	92,673.57	77.80%	572,699.16	8,602,034.17	6.66%	(48,412.00)	8,602,034.17	-0.56%
October	67,750.88	99,459.65	68.12%	877,272.64	9,919,759.48	8.84%	(65,661.00)	9,919,759.48	-0.66%
November	48,196.59	96,022.48	50.19%	497,508.31	9,331,990.77	5.33%	269,454.00	9,331,990.77	2.89%
December	41,614.63	87,534.43	47.54%	370,098.69	8,782,751.24	4.21%	2,843,500.00	8,782,751.24	32.38%

National Grid USA Service Company

Overhead Accrual Rates
Year Ended December 31, 2003

Department: Retail Customer Service

	NGRID USA <u>Operating Costs</u>	NGRID USA <u>Equity</u>	Ins., Taxes & Dept. Ovhd's	TNW <u>Rate</u>	NGUSA <u>Goals</u>	Management <u>Bonus</u>	Management <u>Total</u>
January	5.14%	-0.41%	64.74%	160.00%	-3.80%	-4.70%	220.97%
February	8.27%	0.59%	52.78%	12.00%	4.00%	-12.60%	65.05%
March	3.94%	-0.11%	33.57%	23.00%	-3.10%	-23.30%	34.00%
April	4.95%	4.28%	53.86%	29.00%	3.50%	3.50%	99.09%
May	5.64%	-0.71%	69.17%	13.00%	3.70%	3.60%	94.40%
June	8.83%	-0.71%	122.41%	10.00%	4.40%	5.50%	150.43%
July	5.01%	-0.79%	83.79%	7.00%	4.40%	5.60%	105.01%
August	6.54%	-0.68%	64.86%	7.00%	4.90%	5.80%	88.42%
September	6.66%	-0.56%	77.95%	18.00%	4.30%	6.10%	112.44%
October	8.84%	-0.66%	59.13%	7.00%	4.40%	6.30%	85.01%
November	5.33%	2.89%	55.88%	13.00%	4.50%	6.60%	88.19%
December	<u>4.21%</u>	<u>32.38%</u>	<u>55.69%</u>	<u>9.00%</u>	<u>3.30%</u>	<u>6.90%</u>	<u>111.48%</u>
Average	6.11%	2.96%	66.15%	25.67%	2.88%	0.78%	104.54%

<u>Insurance Taxes & Dept. Overheads</u>				<u>NGRID USA Operating Costs</u>			<u>NGRID USA Equity</u>		
Department <u>Overheads</u>	Total <u>Dept. Payroll</u>	<u>Percentage</u>		NGRID USA Corporate <u>Operating Costs</u>	NGRID USA <u>Total Payroll</u>	<u>Percentage</u>	NGRID USA <u>Equity Billing</u>	NGRID USA <u>Total Payroll</u>	<u>Percentage</u>
January	305,863.00	472,465.39	64.74%	403,103.22	7,835,915.32	5.14%	(32,398.00)	7,835,915.32	-0.41%
February	368,802.38	698,699.55	52.78%	792,083.74	9,574,374.36	8.27%	56,964.00	9,574,374.36	0.59%
March	235,729.33	702,185.78	33.57%	410,550.85	10,419,228.60	3.94%	(11,788.00)	10,419,228.60	-0.11%
April	390,778.06	725,517.13	53.86%	493,164.71	9,972,554.52	4.95%	427,126.00	9,972,554.52	4.28%
May	563,094.38	814,129.70	69.17%	565,543.49	10,022,654.78	5.64%	(70,665.00)	10,022,654.78	-0.71%
June	866,623.27	707,944.54	122.41%	814,804.03	9,225,183.00	8.83%	(65,779.00)	9,225,183.00	-0.71%
July	576,094.54	687,550.54	83.79%	438,099.27	8,742,639.84	5.01%	(69,198.00)	8,742,639.84	-0.79%
August	506,731.18	781,277.78	64.86%	613,617.58	9,380,783.37	6.54%	(63,513.00)	9,380,783.37	-0.68%
September	550,142.48	705,772.05	77.95%	572,699.16	8,602,034.17	6.66%	(48,412.00)	8,602,034.17	-0.56%
October	497,628.27	841,578.26	59.13%	877,272.64	9,919,759.48	8.84%	(65,661.00)	9,919,759.48	-0.66%
November	396,999.11	710,511.70	55.88%	497,508.31	9,331,990.77	5.33%	269,454.00	9,331,990.77	2.89%
December	361,977.80	649,942.15	55.69%	370,098.69	8,782,751.24	4.21%	2,843,500.00	8,782,751.24	32.38%

Responses to the Department's Second Set of Information Requests

DTE 2-4

Request:

Please refer to Exh. MJH-3. Provide all calculations and workpapers that support these estimates of costs associated with Massachusetts renewable portfolio standard. Provide a description of the work involved to complete each task.

Response:

The description of the tasks involved in the compliance with RPS regulations for default service is provided in Exhibit MJH-3. The number of hours indicated for each task was obtained through interviewing the individuals responsible for performing each task.

Please refer to the attachment to this response for the calculation of the indirect/overhead rates shown in Column (C) of Exhibit MJH-3. Please refer to the response to DTE 2-1 for an explanation of what this data represents.

Prepared by or under the supervision of: Michael J. Hager and Michael D. Laflamme

National Grid USA Service Company

Overhead Accrual Rates
Year Ended December 31, 2003

Department: Energy Supply

	NGRID USA Operating Costs	NGRID USA Equity	Ins., Taxes & Dept. Ovhd's	TNW Rate	NGUSA Goals	Management Bonus	Management Total
January	5.14%	-0.41%	33.11%	160.00%	-3.80%	-4.70%	189.34%
February	8.27%	0.59%	24.30%	12.00%	4.00%	-12.60%	36.56%
March	3.94%	-0.11%	20.56%	23.00%	-3.10%	-23.30%	20.99%
April	4.95%	4.28%	44.65%	29.00%	3.50%	3.50%	89.87%
May	5.64%	-0.71%	49.59%	13.00%	3.70%	3.60%	74.83%
June	8.83%	-0.71%	53.32%	10.00%	4.40%	5.50%	81.34%
July	5.01%	-0.79%	45.79%	7.00%	4.40%	5.60%	67.01%
August	6.54%	-0.68%	42.93%	7.00%	4.90%	5.80%	66.49%
September	6.66%	-0.56%	62.77%	18.00%	4.30%	6.10%	97.27%
October	8.84%	-0.66%	57.09%	7.00%	4.40%	6.30%	82.97%
November	5.33%	2.89%	38.70%	13.00%	4.50%	6.60%	71.02%
December	<u>4.21%</u>	<u>32.38%</u>	<u>32.56%</u>	<u>9.00%</u>	<u>3.30%</u>	<u>6.90%</u>	<u>88.35%</u>
Average	6.11%	2.96%	42.11%	25.67%	2.88%	0.78%	80.50%

Insurance Taxes & Dept. Overheads				NGRID USA Operating Costs			NGRID USA Equity		
Department Overheads	Total Dept. Payroll	Percentage		NGRID USA Corporate Operating Costs	NGRID USA Total Payroll	Percentage	NGRID USA Equity Billing	NGRID USA Total Payroll	Percentage
January	23,908.54	72,218.99	33.11%	403,103.22	7,835,915.32	5.14%	(32,398.00)	7,835,915.32	-0.41%
February	22,949.75	94,461.99	24.30%	792,083.74	9,574,374.36	8.27%	56,964.00	9,574,374.36	0.59%
March	17,876.59	86,948.38	20.56%	410,550.85	10,419,228.60	3.94%	(11,788.00)	10,419,228.60	-0.11%
April	43,419.69	97,255.08	44.65%	493,164.71	9,972,554.52	4.95%	427,126.00	9,972,554.52	4.28%
May	43,423.30	87,561.74	49.59%	565,543.49	10,022,654.78	5.64%	(70,665.00)	10,022,654.78	-0.71%
June	49,159.23	92,194.10	53.32%	814,804.03	9,225,183.00	8.83%	(65,779.00)	9,225,183.00	-0.71%
July	38,853.87	84,857.57	45.79%	438,099.27	8,742,639.84	5.01%	(69,198.00)	8,742,639.84	-0.79%
August	37,961.09	88,434.58	42.93%	613,617.58	9,380,783.37	6.54%	(63,513.00)	9,380,783.37	-0.68%
September	45,409.90	72,338.29	62.77%	572,699.16	8,602,034.17	6.66%	(48,412.00)	8,602,034.17	-0.56%
October	47,810.27	83,744.46	57.09%	877,272.64	9,919,759.48	8.84%	(65,661.00)	9,919,759.48	-0.66%
November	33,785.32	87,289.63	38.70%	497,508.31	9,331,990.77	5.33%	269,454.00	9,331,990.77	2.89%
December	27,711.23	85,118.69	32.56%	370,098.69	8,782,751.24	4.21%	2,843,500.00	8,782,751.24	32.38%

Responses to the Department's Second Set of Information Requests

DTE 2-5

Request:

Please refer to the direct testimony of Mr. Hager at 9, lines 4-7. Provide a copy of the provision that establishes the allocation of GIS costs to default service suppliers since March 1, 2003. Also explain what changes would need to occur in the future in order for GIS costs to then be considered the responsibility of the Company and not the supplier.

Response:

The allocation of GIS costs is governed by the NEPOOL cost allocation document, a copy of which is attached. The allocation of costs did not change as of March 1, 2003.

Under the cost allocation rules, costs are allocated to NEPOOL Participants based on their share of GIS Load (see Section 3 of the rules). GIS Load is defined in the rules as the metered load of each Participant's GIS Load Assets. GIS Load Asset is defined in the rules as:

A "GIS Load Asset" is any Load Asset registered with the System Operator which (x) is owned by a Participant that either is subject to an Attribute Law with respect to that specific Load Asset, or (y) is owned by a Participant that supplies power for that Load Asset directly to a non-Participant that is in turn subject to an Attribute Law with respect to that specific Load Asset, or (z) is owned by a Participant that supplies power for that Load Asset directly to a Participant that is in turn subject to an Attribute Law with respect to that specific Load Asset; provided, however, that any GIS Load Asset owned by a Participant that supplies power for that Load Asset directly to a Participant that is in turn subject to an Attribute Law with respect to that specific Load Asset, as described in clause (z) above, shall, for purposes of determining the amount of GIS Costs that are attributable to Participants hereunder, be deemed to be owned by the Participant that is subject to an Attribute Law with respect to that Load Asset. Each Load Asset shall be presumed to be a GIS Load Asset unless it is identified otherwise pursuant to the provisions of section 2 below. (emphasis added)

The Company is the Participant that is subject to Attribute Laws related to its Standard Offer and Default Service loads and thus should be allocated GIS costs pursuant to the GIS Load Asset definition.

Prior to March 1, 2003, the ISO recognized the Company as the "owner" of the Standard Offer and Default Service load assets and allocated GIS costs to the Company under clause (x) of the GIS Load Asset definition.

Responses to the Department's Second Set of Information Requests

DTE 2-5 (continued)

As of March 1, 2003, the ISO recognized the Company's wholesale suppliers as the "owner" of the Standard Offer and Default Service load assets and allocated GIS costs to the suppliers despite the fact that clause (z) requires that such costs be allocated to the Company.

The ISO is reportedly in the process of modifying its billing system to properly allocate the costs to the Company. In the meantime, the ISO has requested that the Company and its suppliers correct the improper billing among themselves.

Prepared by or under the supervision of: Michael J. Hager